

Remarks by Ronald E. Moulton, Western Area Power Administration  
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## **INTRODUCTION**

Chairman Wood, Commissioners Brownell and Massey; Chairman Spitzer and Chairwoman Lovejoy; Distinguished Panelists; and, Guests; Western Area Power Administration appreciates the opportunity to be here today, to participate in this FERC Technical Conference addressing the important issues that relate to the development of Wholesale Power Markets here in the Western Interconnection. Key among these issues we believe is the need for flexibility in both Market Design and Implementation Time Frame to accommodate the diverse interests and needs found here in the West. I'd like to share with you Western's perspective on this and other issues and hope to develop a deeper understanding of your views and the thinking of others during today's proceedings.

## **BACKGROUND**

Let me start by providing you with some background information on Western Area Power Administration to help you understand Western's perspective on the important issues that relate to the development of Wholesale Power Markets here in the Western Interconnection.

Western is a Federal Power Marketing agency within the United States Department of Energy. We have been and continue to be active in a variety of efforts to enhance open, competitive, and reliable electricity markets. Using more than 17,000 miles of high voltage transmission lines, Western markets and delivers approximately 10,000 megawatts and 41 billion kilowatt-hours of reliable, cost-based energy annually to more than 650 wholesale preference power customers, including municipalities, rural electric cooperatives, irrigation and electrical districts, State and Federal agencies and

Native American tribes in a service area covering approximately 1.3 million square miles in 15 states. Western's rates for power, ancillary services, and transmission services recover our costs on a project-by-project basis. Western markets the power generated from power plants at dams constructed, owned and operated by the Federal Generating Agencies including, the Department of the Interior's Bureau of Reclamation, the U.S. Army Corps of Engineers and the International Boundary and Water Commission. The generation of Federal hydro electricity is, by law, incidental to certain other project purposes such as irrigation, flood control and navigation. Federal power is sold first to meet the congressionally authorized needs of a project, principally irrigation pumping load, often referred to as "project use" power. The remaining firm power is sold to Western's firm electric service customers and power available in excess of Western's firm obligations is sold as non-firm to various market participants.

### **OPEN ACCESS TO TRANSMISSION**

Western strongly supports open access to transmission and has made transmission service available in excess of its existing firm transmission obligations on a first-come, first-served basis since its creation in 1977. Western has successfully participated in coordinated and joint regional transmission planning for many years and has voluntarily filed with the Commission an Open Access Transmission Service Tariff and Standards of Conduct consistent with Orders No. 888 and 889.

Western supports the voluntary development of RTOs and is actively involved in discussions surrounding the formation of several RTOs, RTEs and other transmission entities throughout Western's service territory. These include MISO, Crescent Moon, RTO West, California ISO, WestConnect RTO, the Public Power Initiative of the West

and most recently, the westTrans Common OASIS effort, mentioned earlier by Mr. Reinhold and Mr. Wiggs in their presentations.

Western is working to assure that the tariffs and market designs of these RTOs, RTEs meet our unique needs as a Federal agency so that we are not precluded from participating in an RTO should we determine the costs to the Federal power program of joining an RTO are offset by commensurate benefits.

Western and the Federal Generating Agencies are stewards of multipurpose water and power projects and have certain statutory and contractual obligations that we must ensure can be met before we can commit to full membership in an RTO. Some of the key assurances that are prerequisites to our joining an RTO include:

- ❖ Preservation of existing transmission rights so that we may continue to carry out our mission of serving our customers with reliable, cost-based preference power.
- ❖ Preservation of and the ability to honor all existing contracts and obligations, both explicit and implicit;
- ❖ Preservation of Western's "final reviewing authority" over operations of the Federal transmission assets, so as not to improperly delegate our statutory authorities;
- ❖ Establishment of rate designs and transmission pricing mechanisms that mitigate problematic cost shifts to Western, due to the large percentage of our customers' load that is ultimately served from a third party's transmission system; and,
- ❖ Assurance that any increased costs associated with participation in an RTO will be offset by operational and economic benefits to Western and its customers.

As I mentioned earlier, Western has participated in various RTO formation discussions and has suggested tariff language to address our unique issues and

accommodate our unique needs should we choose to take part in an RTO. The flexibility Western needs and has received from transmission owners and other market participants and the progress we've made to date in addressing all of these issues has been encouraging.

### **FLEXIBILITY IS KEY**

Western urges the Commission to provide flexibility in both Market Design and Implementation Time Frame to accommodate the diverse interests and needs found here in the Western Interconnection in meeting the requirements of a final rule. The Western Interconnection needs the flexibility to cooperatively identify with the Commission the nature and magnitude of undue discrimination that may exist in the West and the flexibility to craft evidence-based, cost-effective and practical solutions that provide non-discriminatory open access transmission service. Western believes flexibility provided by the Commission will provide the Western Interconnection with the ability to adopt an incremental approach to address undue discrimination, while mitigating the risks and minimizing the potential for unintentional and unforeseen consequences we have all unfortunately become too familiar with in recent years.

### **CONCLUSION**

In summary Western believes flexibility is the key ingredient to successfully dealing with any issues of undue discrimination that may exist within the Western Interconnection. The Wholesale Power Market Platform begins to introduce the kind of flexibility needed, providing an opportunity to incrementally build upon present open access practices by implementing wholesale market elements when cost justified and providing for broad and hopefully voluntary participation, both jurisdictional and non-

jurisdictional, in the development of Wholesale Power Markets here in the Western Interconnection.

Thank you for the opportunity to share Western's views with you today. That concludes my remarks and I look forward to answering the Commissioners' and others' questions regarding Western Area Power Administration's perspective on the development of Wholesale Power Markets here in the Western Interconnection.